

<b>NSW DEPARTMENT OF COMMERCE</b>						
<b>OPERATING STATEMENT</b>						
<b>FOR THE YEAR ENDED 30 JUNE 2007</b>						
	Notes	Consolidated		Department of Commerce		
		Actual 2007 \$'000	Actual 2006 \$'000	Actual 2007 \$'000	Budget 2007 \$'000	Actual 2006 \$'000
<b>Expenses excluding losses</b>						
Operating Expenses						
Employee related	2(a)	330,178	308,978	327,702	296,732	306,653
Other operating expenses	2(b)	146,424	145,174	143,401	126,206	141,835
Depreciation and amortisation	2(c)	158,273	121,659	157,673	132,688	121,077
Grants and subsidies	2(d)	50,996	29,496	50,996	38,423	29,496
Finance costs	2(e)	30,887	24,393	30,876	39,797	24,379
Other expenses	2(f)	10,529	1,601	10,529	10,870	1,601
<b>Total Expenses excluding losses</b>		<b>727,287</b>	<b>631,301</b>	<b>721,177</b>	<b>644,716</b>	<b>625,041</b>
Less:						
<b>Revenue</b>						
Sale of goods and services	3(a)	514,427	446,899	508,785	519,854	441,975
Investment revenue	3(b)	14,742	12,576	14,657	9,702	12,495
Retained taxes, fees and fines	3(c)	54,460	43,950	54,460	43,063	43,950
Grants and contributions	3(d)	13,746	10,164	13,127	9,628	9,183
Other revenue	3(e)	51	52,370	51	424	52,354
<b>Total Revenue</b>		<b>597,426</b>	<b>565,959</b>	<b>591,080</b>	<b>582,671</b>	<b>559,957</b>
<b>Gain/(loss) on disposal of non-current assets</b>	4	<b>(6,041)</b>	<b>(17,246)</b>	<b>(6,041)</b>	<b>(30,579)</b>	<b>(17,246)</b>
<b>Other gains/(losses)</b>		-	-	-	<b>(1,749)</b>	-
<b>Net Cost of Services</b>		<b>135,902</b>	<b>82,588</b>	<b>136,138</b>	<b>94,373</b>	<b>82,330</b>
<b>Government Contributions</b>						
Recurrent appropriation	5	159,829	130,931	159,829	111,221	130,931
Capital appropriation	5	9,587	23,668	9,587	7,820	23,668
Acceptance by the Crown Entity of employee benefits and other liabilities	6	5,313	4,999	5,313	5,072	4,999
<b>Total Government Contributions</b>		<b>174,729</b>	<b>159,598</b>	<b>174,729</b>	<b>124,113</b>	<b>159,598</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>38,827</b>	<b>77,010</b>	<b>38,591</b>	<b>29,740</b>	<b>77,268</b>
Income Tax	1(ae)	-	4,183	-	3,766	4,183
<b>SURPLUS/(DEFICIT) FOR THE YEAR AFTER INCOME TAX</b>		<b>38,827</b>	<b>72,827</b>	<b>38,591</b>	<b>25,974</b>	<b>73,085</b>

The accompanying notes form part of these statements.

<b>NSW DEPARTMENT OF COMMERCE</b>						
<b>STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED 30 JUNE 2007</b>						
	Notes	Consolidated		Department of Commerce		
		Actual 2007 \$'000	Actual 2006 \$'000	Actual 2007 \$'000	Budget 2007 \$'000	Actual 2006 \$'000
Net increase/(decrease) in property, plant and equipment asset revaluation reserve		-	-	-	-	-
<b>TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY</b>		-	-	-	-	-
Surplus/(deficit) for the year		38,827	72,827	38,591	25,974	73,085
<b>TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR</b>	21	<b>38,827</b>	<b>72,827</b>	<b>38,591</b>	<b>25,974</b>	<b>73,085</b>
Outside equity interest		(101)	111	-	-	-
		<b>38,726</b>	<b>72,938</b>	<b>38,591</b>	<b>25,974</b>	<b>73,085</b>
<b>EFFECT OF CHANGES IN ACCOUNTING POLICY AND CORRECTION OF ERRORS</b>		-	-	-	-	-
Accumulated Funds Reserves	21	<b>38,726</b>	<b>72,938</b>	<b>38,591</b>	<b>25,974</b>	<b>73,085</b>
		-	-	-	-	-
		<b>38,726</b>	<b>72,938</b>	<b>38,591</b>	<b>25,974</b>	<b>73,085</b>

The accompanying notes form part of these statements.

<b>NSW DEPARTMENT OF COMMERCE</b>						
<b>BALANCE SHEET</b>						
<b>AS AT 30 JUNE 2007</b>						
	Notes	Consolidated		Department of Commerce		
		Actual 2007 \$'000	Actual 2006 \$'000	Actual 2007 \$'000	Budget 2007 \$'000	Actual 2006 \$'000
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	9	367,338	302,212	365,831	312,496	300,394
Receivables	10	248,638	202,298	247,971	205,370	201,636
Inventories	11	638	638	638	654	638
Financial assets at fair value	12	24,855	27,670	24,855	33,554	27,670
Other	13	62,379	64,836	62,351	80,670	64,822
Non-current assets held for sale	16	16,000	16,000	16,000	-	16,000
<b>Total Current Assets</b>		<b>719,848</b>	<b>613,654</b>	<b>717,646</b>	<b>632,744</b>	<b>611,160</b>
<b>Non-Current Assets</b>						
Inventories	11	5,529	5,805	5,529	5,659	5,805
Property, plant and equipment	14					
Land and Buildings		86,741	25,076	86,741	24,884	25,076
Plant and Equipment		613,565	526,578	612,270	596,582	525,206
Leasehold Improvements		8,423	9,456	8,423	9,456	9,456
Total property, plant and equipment		708,729	561,110	707,434	630,922	559,738
Intangible assets	15	52,185	58,720	52,185	70,145	58,720
<b>Total Non-Current Assets</b>		<b>766,443</b>	<b>625,635</b>	<b>765,148</b>	<b>706,726</b>	<b>624,263</b>
<b>Total Assets</b>		<b>1,486,291</b>	<b>1,239,289</b>	<b>1,482,794</b>	<b>1,339,470</b>	<b>1,235,423</b>
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Payables	17	278,023	262,217	277,564	269,376	261,906
Borrowings	18	262,243	217,705	262,077	217,705	217,705
Provisions	19	122,200	102,500	122,024	102,068	102,303
Other	20	9,883	19,315	9,363	17,543	17,646
<b>Total Current Liabilities</b>		<b>672,349</b>	<b>601,737</b>	<b>671,028</b>	<b>606,692</b>	<b>599,560</b>
<b>Non-Current Liabilities</b>						
Borrowings	18	266,230	220,074	266,230	294,550	220,074
Other	20	6,731	298	6,319	1,639	140
<b>Total Non-Current Liabilities</b>		<b>272,961</b>	<b>220,372</b>	<b>272,549</b>	<b>296,189</b>	<b>220,214</b>
<b>Total Liabilities</b>		<b>945,310</b>	<b>822,109</b>	<b>943,577</b>	<b>902,881</b>	<b>819,774</b>
<b>Net Assets</b>		<b>540,981</b>	<b>417,180</b>	<b>539,217</b>	<b>436,589</b>	<b>415,649</b>
<b>EQUITY</b>						
Reserves	21	18,607	18,607	18,607	18,607	18,607
Accumulated funds		525,111	401,411	520,610	417,982	397,042
Outside equity interest		(2,737)	(2,838)	-	-	-
<b>Total Equity</b>		<b>540,981</b>	<b>417,180</b>	<b>539,217</b>	<b>436,589</b>	<b>415,649</b>

The accompanying notes form part of these statements.

<b>NSW DEPARTMENT OF COMMERCE</b>						
<b>CASH FLOW STATEMENT</b>						
<b>FOR THE YEAR ENDED 30 JUNE 2007</b>						
	Notes	Consolidated		Department of Commerce		
		Actual 2007 \$'000	Actual 2006 \$'000	Actual 2007 \$'000	Budget 2007 \$'000	Actual 2006 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
Employee related		(306,875)	(303,016)	(304,588)	(305,612)	(303,016)
Grants and subsidies		(53,692)	(29,496)	(53,692)	(38,423)	(29,496)
Finance costs		(30,939)	(24,425)	(30,876)	(39,797)	(24,379)
Equivalent income tax		(1,046)	(3,137)	(1,046)	(1,046)	(3,137)
Other	24	(1,522,215)	(1,494,220)	(1,518,768)	(419,860)	(1,488,764)
<b>Total Payments</b>		<b>(1,914,767)</b>	<b>(1,854,294)</b>	<b>(1,908,970)</b>	<b>(804,738)</b>	<b>(1,848,792)</b>
<b>Receipts</b>						
Sale of goods and services	24	1,860,343	1,776,446	1,854,464	518,392	1,770,280
Retained taxes, fees and fines		52,088	43,968	52,088	43,063	43,968
Interest received		15,912	12,835	15,833	8,384	12,754
Other		13,127	12,864	13,127	293,346	12,864
<b>Total Receipts</b>		<b>1,941,470</b>	<b>1,846,113</b>	<b>1,935,512</b>	<b>863,185</b>	<b>1,839,866</b>
<b>Cash Flows from Government</b>						
Recurrent appropriation		164,237	138,126	164,237	111,221	138,126
Capital appropriation		9,587	24,705	9,587	7,820	24,705
<b>Net Cash Flows from Government</b>		<b>173,824</b>	<b>162,831</b>	<b>173,824</b>	<b>119,041</b>	<b>162,831</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	25	<b>200,527</b>	<b>154,650</b>	<b>200,366</b>	<b>177,488</b>	<b>153,905</b>

<b>NSW DEPARTMENT OF COMMERCE</b>						
<b>CASH FLOW STATEMENT</b>						
<b>FOR THE YEAR ENDED 30 JUNE 2007</b>						
<b>(cont'd)</b>						
	Notes	Consolidated		Department of Commerce		
		Actual 2007 \$'000	Actual 2006 \$'000	Actual 2007 \$'000	Budget 2007 \$'000	Actual 2006 \$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Proceeds from sale of Land and Buildings, Plant and Equipment and Infrastructure Systems		127,612	105,378	127,612	118,668	105,378
Purchases of Land and Buildings, Plant and Equipment and Infrastructure Systems		(348,013)	(330,267)	(347,490)	(332,530)	(330,044)
Proceeds from sale of investments		-	-	-	-	-
Purchases of investments		-	-	-	(4,584)	-
Other		-	-	-	(15,838)	-
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(220,401)</b>	<b>(224,889)</b>	<b>(219,878)</b>	<b>(234,284)</b>	<b>(224,666)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Proceeds from borrowings and advances		90,579	78,692	90,528	74,476	78,692
Repayment of borrowings and advances		-	(449)	-	-	-
Transfer to NSW Treasury		(5,579)	(27,246)	(5,579)	(5,578)	(27,246)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>85,000</b>	<b>50,997</b>	<b>84,949</b>	<b>68,898</b>	<b>51,446</b>
<b>NET INCREASE/(DECREASE) IN CASH</b>		<b>65,126</b>	<b>(19,242)</b>	<b>65,437</b>	<b>12,102</b>	<b>(19,315)</b>
Opening cash and cash equivalents		302,212	321,454	300,394	300,394	319,709
Cash transferred in (out) as a result of administrative restructuring		-	-	-	-	-
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	9	<b>367,338</b>	<b>302,212</b>	<b>365,831</b>	<b>312,496</b>	<b>300,394</b>

The accompanying notes form part of these statements.

## Program Statement - Expenses and Revenues for the Year Ended 30 June 2007

EXPENSES AND REVENUES	Public Works and Services		NSW Procurement		Fair Trading*		Industrial Relations		Business and Personnel Services		Not Attributable		Department of Commerce Total	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Expenses excluding losses</b>														
Operating Expenses														
• Employee related	152,583	165,139	40,198	41,580	96,515	87,130	14,716	12,804	23,690	-	-	-	327,702	306,653
• Other operating expenses	49,645	49,189	40,960	50,993	42,067	46,041	5,159	7,427	5,570	-	-	-	143,401	153,650
Depreciation and amortisation	130,302	98,932	14,688	12,090	10,720	9,182	882	873	1,081	-	-	-	157,673	121,077
Grants and subsidies	25,196	-	11,249	14,551	14,551	14,924	-	21	-	-	-	-	50,996	29,496
Finance costs	30,876	24,379	-	-	-	-	-	-	-	-	-	-	30,876	24,379
Other expenses	13,339	-	2,767	365	2,071	1,236	-	-	(7,648)	-	-	-	10,529	1,601
<b>Total Expenses excluding losses</b>	<b>401,941</b>	<b>337,639</b>	<b>109,862</b>	<b>119,579</b>	<b>165,924</b>	<b>158,513</b>	<b>20,757</b>	<b>21,125</b>	<b>22,693</b>	-	-	-	<b>721,177</b>	<b>636,856</b>
<b>Revenue</b>														
Sale of goods and services	382,254	336,935	69,568	76,843	44,980	39,843	132	169	11,851	-	-	-	508,785	453,790
Investment revenue	5,302	6,988	2,089	2,423	6,731	3,058	495	26	40	-	-	-	14,657	12,495
Retained taxes, fees and fines	-	-	-	-	54,460	43,950	-	-	-	-	-	-	54,460	43,950
Grants and contributions	-	-	2,873	67	9,545	9,077	160	39	549	-	-	-	13,127	9,183
Other revenue	22	40,212	-	11,305	-	491	-	346	29	-	-	-	51	52,354
<b>Total Revenue</b>	<b>387,578</b>	<b>384,135</b>	<b>74,530</b>	<b>90,638</b>	<b>115,716</b>	<b>96,419</b>	<b>787</b>	<b>580</b>	<b>12,469</b>	-	-	-	<b>591,080</b>	<b>571,772</b>
Gain/(loss) on disposal	(4567)	(16,800)	(179)	(29)	(1,163)	(260)	(57)	(157)	(75)	-	-	-	(6,041)	(17,246)
Profit on sale of discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>NET COST/ (SURPLUS) OF SERVICES</b>	<b>18,930</b>	<b>(29,696)</b>	<b>35,511</b>	<b>28,970</b>	<b>51,371</b>	<b>62,354</b>	<b>20,027</b>	<b>20,702</b>	<b>10,299</b>	-	-	-	<b>136,138</b>	<b>82,330</b>

## Program Statement - Expenses and Revenues for the Year Ended 30 June 2007 (cont'd)

EXPENSES AND REVENUES	Public Works and Services		NSW Procurement		Fair Trading*		Industrial Relations		Business and Personnel Services		Not Attributable		Department of Commerce Total	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Government contributions**	-	-	-	-	-	-	-	-	-	-	(174,729)	(159,598)	(174,729)	(159,598)
<b>NET EXPENDITURE/ (REVENUE) FOR THE YEAR</b>	<b>18,930</b>	<b>(29,696)</b>	<b>35,511</b>	<b>28,970</b>	<b>51,371</b>	<b>62,354</b>	<b>20,027</b>	<b>20,702</b>	<b>10,299</b>	<b>-</b>	<b>(174,729)</b>	<b>(159,598)</b>	<b>(38,591)</b>	<b>(77,268)</b>
<b>ADMINISTERED EXPENSES AND REVENUES</b>														
<b>Administered Expenses</b>														
Transfer payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Motor vehicle lease fee	34,850	61,106	-	-	-	-	-	-	-	-	-	-	34,850	61,106
<b>Total Administered Expenses</b>	<b>34,850</b>	<b>61,106</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,850</b>	<b>61,106</b>
<b>Administered Revenues</b>														
Transfer receipts Consolidated Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxes, fees and fines	-	-	-	-	54,896	54,132	83	83	-	-	-	-	54,979	54,215
Motor vehicle lease fee	31,147	58,903	-	-	-	-	-	-	-	-	-	-	31,147	58,903
Other	-	-	4,304	18,318	-	-	-	-	-	-	-	-	4,304	18,318
<b>Total Administered Revenues</b>	<b>31,147</b>	<b>58,903</b>	<b>4,304</b>	<b>18,318</b>	<b>54,896</b>	<b>54,132</b>	<b>83</b>	<b>83</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>90,430</b>	<b>131,436</b>
<b>Administered Revenues less Expenses</b>	<b>(3,703)</b>	<b>(2,203)</b>	<b>4,304</b>	<b>18,318</b>	<b>54,896</b>	<b>54,132</b>	<b>83</b>	<b>83</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>55,580</b>	<b>70,330</b>

\* The name and purpose of each program is summarised in Note 9.

\*\* Appropriations are made on an agency basis and not to individual programs. Consequently, Government contributions must be included in the "Not Attributable" column.

**Summary of Compliance with Financial Directives**

	2007				2006			
	Recurrent Appropriation \$'000	Expenditure / Net Claim on Consolidated Fund \$'000	Capital Appropriation \$'000	Expenditure / Net Claim on Consolidated Fund \$'000	Recurrent Appropriation \$'000	Expenditure \$'000	Capital Appropriation \$'000	Expenditure \$'000
<b>Original Budget Appropriation / Expenditure</b>								
• Appropriation Act	111,221	104,069	7,820	7,820	145,427	122,728	17,730	13,503
• S24 PF&AA - transfers of functions between departments	4,292	4,292	2,406	1,767	-	-	-	-
	<b>115,513</b>	<b>108,361</b>	<b>10,226</b>	<b>9,587</b>	<b>145,427</b>	<b>122,728</b>	<b>17,730</b>	<b>13,503</b>
<b>Other Appropriations / Expenditure</b>								
• Treasurer's Advance	-	-	-	-	5,367	5,367	4,900	4,900
• Section 27	46,968	46,968	-	-	-	-	-	-
• Section 22 - expenditure for certain works and services	4,500	4,500	-	-	-	-	-	-
• Reclassification of Recurrent allocation to Capital	-	-	-	-	(5,265)	-	5,265	5,265
• S28 of the Appropriation Act								
- transfer to another agency	2,696	2,696	-	-	-	-	-	-
- transfer from another agency	-	-	-	-	2,836	2,836	-	-
	<b>54,164</b>	<b>54,164</b>	-	-	<b>2,938</b>	<b>8,203</b>	<b>10,165</b>	<b>10,165</b>
<b>Total Appropriations / Expenditure / Net Claim on Consolidated Fund (includes transfer payments)</b>	<b>169,677</b>	<b>162,525</b>	<b>10,226</b>	<b>9,587</b>	<b>148,365</b>	<b>130,931</b>	<b>27,895</b>	<b>23,668</b>
<b>Amount drawn down against Appropriation</b>	-	<b>164,237</b>	-	<b>10,226</b>	-	<b>138,126</b>	-	<b>24,705</b>
<b>Liability to Consolidated Fund*</b>	-	<b>1,712</b>	-	<b>639</b>	-	<b>7,195</b>	-	<b>1,037</b>

The Summary of Compliance is based on the assumption that Consolidated Fund monies are spent first (except where otherwise identified or prescribed).

\* The "Liability to Consolidated Fund" is the difference between the "Amount drawn down against Appropriation" and the "Total Expenditure / Net Claim on Consolidated Fund".

**NSW DEPARTMENT OF COMMERCE****NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 JUNE 2007****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****(a) Reporting Entity**

The Department of Commerce, as a reporting entity, comprises:

- The Office of Public Works and Services
- NSW Procurement
- Office of Fair Trading, and
- Office of Industrial Relations
- Business and Personnel Services.

The reporting entity also includes NSW Government Telecommunications Authority (TELCO) which is controlled by the Department. TELCO holds 57% of the shares of the Australian Centre for Advanced Computing and Communications Pty Ltd (ac3) on behalf of the NSW Government. Eight NSW based universities hold the remaining 43% of shares.

In the process of preparing the consolidated financial statements for the economic entity consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated.

The Department of Commerce is a NSW Government department. The Department is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units. The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

This consolidated financial report for the year ended 30 June 2007 has been authorised for issue by the Director-General on 19 October 2007.

**(b) Basis of Preparation**

The Department of Commerce's financial statements are a general purpose financial report which has been prepared on an accruals basis and in accordance with:

- applicable Australian Accounting Standards (which include Australian Equivalents to International Financial Reporting Standards (AEIFRS));
- the requirements of the *Public Finance and Audit Act* and Regulation; and
- the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer.

Property, plant and equipment, investment property, assets (or disposal groups) held for sale and financial assets for trading and available for sale are measured at fair value. Other financial report items are prepared in accordance with the historical cost convention.

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial report.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

**(c) Statement of Compliance**

The consolidated and parent entity financial statements and notes comply with Australian Accounting Standards, which include AEIFRS.

At the reporting date, a number of Accounting Standards adopted by the AASB had been issued but are not yet operative. NSW Treasury has mandated not to early adopt any of the new Standards / Interpretations, as per Treasury Circular TC 07/07. Therefore, these new Standards / Interpretations have not been adopted by Commerce for the 2006/07 accounts. The following is a list of these standards:

- AASB 7 & AASB 2005-10 regarding financial instrument disclosures;
- AASB 8 & AASB 2007-3 regarding operating segments;
- AASB 101 (Oct 2006) regarding presentation of financial statements;
- AASB 123 (June 2007) and AASB 2007-6 regarding borrowing costs;
- AASB 1049 regarding the general government sector and GFS/GAAP convergence;
- AASB 2007-4 regarding Australian additions to and deletions from IFRSs;
- AASB 2007-5 regarding inventories held for distribution by not-for-profit entities;
- Interpretation 4 (Feb 2007) regarding determining whether an arrangement contains a lease;
- Interpretation 10 regarding interim financial reporting;
- Interpretation 11 & AASB 2007-1 regarding group and Treasury share transactions;
- Interpretation 12 & AASB 2007-2 regarding service concession arrangements;
- Interpretation 129 (Feb 2007) regarding service concession disclosures.

It is considered that the implementation of these Standards will not have any material impact on Commerce's financial results.

**(d) Administered Activities**

The Department of Commerce administers, but does not control, certain activities on behalf of the Crown Entity. It is accountable for the transactions relating to those administered activities but does not have the discretion, for example, to deploy the resources for the achievement of the Department's own objectives.

Transactions and balances relating to the administered activities are not recognised as the Department's revenues, expenses, assets and liabilities, but are disclosed in the accompanying schedules as "Administered Revenues", "Administered Expenses", "Administered Assets" and "Administered Liabilities".

The accrual basis of accounting and all applicable accounting standards have been adopted for the reporting of the administered activities.

**(e) Income Recognition**

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of income are discussed below.

**(i) Parliamentary Appropriations and Contributions**

Parliamentary appropriations and contributions from other bodies (including grants and donations) are generally recognised as income when the agency obtains control over the assets comprising the appropriations / contributions. Control over appropriations and contributions is normally obtained upon the receipt of cash.

An exception to the above is when appropriations are unspent at year end. In this case, the authority to spend the money lapses and generally the unspent amount must be repaid to the Consolidated Fund in the following financial year. As a result, unspent appropriations are accounted for as liabilities rather than revenue.

The liability is disclosed in Note 20 as part of "Current/Non-Current Liabilities". The amount will be repaid and the liability will be extinguished next financial year. Any liability in respect of transfer payments is disclosed in Note 28 "Administered Assets and Liabilities".

**(ii) Sale of Goods and Services**

**(a) Sale of Goods**

Revenue from the sale of goods is recognised as revenue when the agency transfers the significant risks and rewards of ownership of the assets.

**(b) Rendering of Services**

Revenue is recognised when the service is provided or by reference to the stage of completion.

Fee revenue earned from management and delivery of client funded building, engineering, maintenance and other service projects, has historically been recognised over the duration of the project, based on the progressive value of fee funded hours charged to the project by Commerce resources.

For all new client funded projects commenced after 1 April 2007, as supported by conversion to new SAP project management system, project fee revenues are recognised equivalent to the value of earned fees progressively invoiced to clients.

The amount of revenue recognised at project completion is the same under either model.

Client project disbursement costs such as printing, travel & minor consultancies, have previously been treated as 'pass through recoverable' costs, accounted for as Unbilled Work in Progress. From 1 April 2007, where costs of this nature are being incurred at Commerce risk against an agreed lump sum (fixed) fee, these amounts are being recognised as direct Commerce business costs matched against the lump sum fee income.

Advertising revenue has historically been recognised at gross value including amounts collected from client agencies for payment of advertising costs. These costs are 'pass through' costs and Commerce has no risks or benefits from the amounts collected and paid on behalf of clients. Therefore for the 2006/07 financial statements, the advertising revenue has been reported excluding the 'pass through' costs.

**(iii) Investment Revenue**

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*.

**(f) Employee Benefits and Other Provisions****(i) Salaries and Wages, Annual Leave, Sick Leave and On-Costs**

Liabilities for salaries and wages (including non-monetary benefits), annual leave and paid sick leave that fall due wholly within 12 months of the reporting date are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

The outstanding amounts of payroll tax, workers' compensation insurance premiums and fringe benefits tax, which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised.

**(ii) Long Service Leave and Superannuation**

The Department's liabilities for long service leave and defined benefit superannuation for Office of Fair Trading, Office of Industrial Relations and Government Chief Information Office are assumed by the Crown Entity.

Long service leave and superannuation liabilities for the commercial activities of the Department are funded by the Department and are not assumed by the Crown Entity.

Long service leave is measured on a short-hand basis. The short-hand method is based on the remuneration rates at year end for all employees with five or more years of service. It is considered that this measurement technique produces results not materially different from the estimate determined by using the present value basis of measurement.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (ie Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (ie State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

Long Service Leave and Superannuation Liabilities Assumed by the Crown Entity

The agency accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as "Acceptance by the Crown Entity of employee benefits and other liabilities".

Long Service Leave and Superannuation Liabilities Funded by the Department

The cost of employee entitlements for long service leave, relating to the commercial operations of the Department, is met by the payment of a contribution based on salaries and wages to the NSW Treasury. The payment is made into the "Non-Budget Sector Long Service Leave Pool Scheme" and leave taken is reimbursed from the Scheme.

**(iii) Other Provisions**

Other provisions exist when the agency has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Any provisions for restructuring are recognised only when an agency has a detailed formal plan and the agency has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected.

**(g) Borrowing Costs**

Borrowing costs are recognised as expenses in the period in which they are incurred in accordance with Treasury's mandate to General Government Sector Agencies.

**(h) Insurance**

The agency's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government agencies. The expense (premium) is determined by the Fund Manager based on past claim experience.

**(i) Accounting for the Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where:

- the amount of GST incurred by the agency as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense;
- receivables and payables are stated with the amount of GST included except for Work in Progress, amounts due to contractors for work in progress and advance billings.

**(j) Acquisitions of Assets**

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Department. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition (see also assets transferred as a result of an administrative restructure - Note 1(ab)).

Fair value means the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

Where payment for an item is deferred beyond normal credit terms, its cost is the cash price equivalent, ie the deferred payment amount is effectively discounted at an asset-specific rate.

**(k) Capitalisation Thresholds**

Property, plant and equipment and intangible assets costing \$5,000 and above individually (or forming part of a network costing more than \$5,000) are capitalised.

**(l) Revaluation of Property, Plant and Equipment**

Physical non-current assets are valued in accordance with the "Guidelines for the Valuation of Physical Non-Current Assets at Fair Value" (TPP 05-03). This policy adopts fair value in accordance with AASB 116 *Property, Plant and Equipment* and AASB 140 *Investment Property*.

Property, plant and equipment is measured on an existing use basis, where there are no feasible alternative uses in the existing natural, legal, financial and socio-political environment. However, in the limited circumstances where there are feasible alternative uses, assets are valued at their highest and best use.

Fair value of property, plant and equipment is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Where there is no available market evidence, the asset's fair value is measured at its market buying price, the best indicator of which is depreciated replacement cost.

The Department's non-current assets are revalued with sufficient regularity to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at reporting date.

Land and buildings are revalued every three years. The last revaluation was completed by State Valuation Office in June 2005 and the revised values are included in the 2006/07 financial statements.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.

When revaluing non-current assets by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the assets), the gross amount and the related accumulated depreciation is separately restated.

For other assets, any balances of accumulated depreciation existing at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the surplus / deficit, the increment is recognised immediately as revenue in the surplus / deficit.

Revaluation decrements are recognised immediately as expenses in the surplus / deficit, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

As a not-for-profit entity, revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Where an asset that has previously been revalued is disposed of, any balance remaining in the asset revaluation reserve in respect of that asset is transferred to accumulated funds.

**(m) Impairment of Property, Plant and Equipment**

As a not-for-profit entity with no cash generating units, the Agency is effectively exempted from AASB 136 *Impairment of Assets* and impairment testing. This is because AASB 136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are material. Selling costs are regarded as immaterial.

**(n) Depreciation of Property, Plant and Equipment**

Depreciation is provided for on a straight line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Department.

All material separately identifiable component assets are recognised and depreciated over their shorter useful lives, including those components that in effect represent major periodic maintenance. Land is not a depreciable asset.

The depreciation rates used for 2006/07 for each class of assets are:

Buildings	2.5%
Motor vehicles	8.0% to 33.3%
Government Radio Network	10.0%
Mainframe computers	20.0%
Major computer systems	12.5%
Computer equipment	33.3%
Furniture and fittings	10.0% to 20.0%
Office equipment	20.0% to 33.3%
Other plant and equipment	4.0% to 33.3%

**(o) Major Inspection Costs**

The labour cost of performing major inspections for faults is recognised in the carrying amount of an asset as a replacement of a part, if the recognition criteria are satisfied.

**(p) Restoration Costs**

The estimated cost of dismantling and removing an asset and restoring the site is included in the cost of an asset, to the extent it is recognised as a liability.

**(q) Maintenance**

The costs of day-to-day servicing costs or maintenance are charged as expenses as incurred, except where they relate to the replacement of a part or component of an asset, in which case the costs are capitalised and depreciated.

**(r) Leased Assets**

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases under which the lessor effectively retains all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is recognised as its fair value at the commencement of the lease term. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are charged to the Operating Statement in the periods in which they are incurred.

**(s) Intangible Assets**

The agency recognises intangible assets only if it is probable that future economic benefits will flow to the agency and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition.

All research costs are expensed. Development costs are only capitalised when certain criteria are met.

The useful lives of intangible assets are assessed to be finite. Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the agency's intangible assets, the assets are carried at cost less any accumulated amortisation.

The agency's intangible assets (computer software) are amortised using the straight line method over a period of 4 to 8 years.

In general, intangible assets are tested for impairment where an indicator of impairment exists. However, as a not-for-profit entity with no cash generating units, the agency is effectively exempted from impairment testing (refer paragraph (m)).

**(t) Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is an amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are accounted for in the Operating Statement when impaired, derecognised or through the amortisation process.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

**(u) Inventories**

Inventories held for distribution are stated at the lower of cost and current replacement cost. Inventories (other than those held for distribution) are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost or "first in first out" method.

The cost of inventories acquired at no cost or for nominal consideration is the current replacement cost as at the date of acquisition. Current replacement costs is the cost the agency would incur to acquire the asset on the reporting date. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**(v) Investments**

Investments are initially recognised at fair value plus, in the case of investments not at fair value through profit or loss, transaction costs. The agency determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

*Fair value through profit or loss* - The agency subsequently measures investments classified as "held for trading" or designated "at fair value through profit or loss" at fair value. Financial assets are classified as "held for trading" if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading. Gains or losses on these assets are recognised in the Operating Statement.

*Held to maturity investments* - Non-derivative financial assets with fixed or determinable payments and fixed maturity that the agency has the positive intention and ability to hold to maturity are classified as "held to maturity". These investments are measured at amortised cost using the effective interest method. Changes are recognised in the Operating Statement when impaired, derecognised or through the amortisation process.

*Available for sale investments* - Any residual investments that do not fall into any other category are accounted for as available for sale investments and measured at fair value directly in equity until disposed or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the Operating Statement. However, interest calculated using the effective interest method and dividends are recognised in the Operating Statement.

Purchases or sales of investments under contract that require delivery of the asset within the timeframe established by convention or regulation are recognised on the trade date ie the date the entity commits itself to purchase or sell the asset.

The fair value of investments that are traded at fair value in an active market is determined by reference to quoted current bid prices at the close of business on the Balance Sheet date.

**(w) Impairment of Financial Assets**

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due.

For financial assets carried at amortised cost, the amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the Operating Statement.

When an available for sale financial asset is impaired, the amount of the cumulative loss is removed from equity and recognised in the Operating Statement, based on the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously recognised in the Operating Statement.

Any reversals of impairment losses are reversed through the Operating Statement, where there is objective evidence, except reversals of impairment losses on an investment in an equity instrument classified as "available for sale" must be made through the reserve. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

**(x) Derecognition of Financial Assets and Financial Liabilities**

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the agency transfers the financial asset:

- where substantially all the risks and rewards have been transferred; or
- where the agency has not transferred substantially all the risks and rewards, if the entity has not retained control.

Where the agency has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the agency's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

**(y) Non-Current Assets (or disposal groups) Held For Sale**

The agency has certain non-current assets (or disposal groups) classified as held for sale, where their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets (or disposal groups) held for sale are recognised at the lower of carrying amount and fair value less costs to sell. These assets are not depreciated while they are classified as held for sale.

**(z) Trust Funds**

The Department receives monies in a trustee capacity for various trusts as set out in Note 26. As the agency performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of the agency's own objectives, these funds are not recognised in the financial statements.

**(aa) Other Assets**

Other assets are recognised on a cost basis.

**(ab) Equity Transfers**

The transfer of net assets between agencies as a result of an administrative restructure, transfers of programs / functions and parts thereof between NSW public sector agencies are designated as a contribution by owners and recognised as an adjustment to "Accumulated Funds". This treatment is consistent with Interpretation 1038 "Contributions by Owners Made to Wholly Owned Public Sector Entities".

Transfers arising from an administrative restructure between Government departments are recognised at the amount at which the asset was recognised by the transferor Government department immediately prior to the restructure. In most instances this will approximate fair value. All other equity transfers are recognised at fair value.

**(ac) Payables**

The amounts represent liabilities for goods and services provided to the agency and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

**(ad) Borrowings**

Loans are not held for trading or designed at fair value through profit or loss and are recognised at amortised cost using the effective interest method. Gains or losses are recognised in the Operating Statement on derecognition.

**(ae) Transfers to NSW Treasury**

As part of the 2006/07 budget process, the Department's dividend and income tax equivalent payment models were reviewed by NSW Treasury. As Commerce is a budget dependant entity, it was considered that the income tax equivalent and dividend models were not appropriate for Commerce. Therefore it was decided to discontinue the previous models for income tax equivalent and dividend payment and replace it with a model to transfer an agreed amount to NSW Treasury for each financial year.

A transfer of \$8.8M for the current financial year has been agreed with NSW Treasury as part of the annual budget process.

**(af) Work in Progress**

Australian Accounting Standard AASB 111 *Construction Contracts* requires the amount due from customers for contract work to be disclosed as an asset and the amount due to customers for contract work as a liability. Accordingly, amount due from customers is shown as Work in Progress in Current Assets and amount due to customers is shown as Advance Claims in Current Liabilities.

**(ag) Budgeted Amounts**

The budgeted amounts are drawn from the budgets as formulated at the beginning of the financial year and with any adjustments for the effects of additional appropriations, S21A, S24 and/or S26 of the *Public Finance and Audit Act 1983*.

The budgeted amounts in the Operating Statement and the Cash Flow Statement are generally based on the amounts disclosed in the NSW Budget Papers (as adjusted above). However, in the Balance Sheet, the amounts vary from the Budget Papers, as the opening balances of the budgeted amounts are based on carried forward actual amounts ie per the audited financial statements (rather than carried forward estimates).

**(ah) Comparative Information**

Where necessary, previous year figures have been reclassified to facilitate comparison.

**2. EXPENSES EXCLUDING LOSSES****(a) Employee Related Expenses**

	Consolidated		Department of Commerce	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Salaries and wages (including recreation leave)	282,093	262,534	279,923	260,502
Superannuation - defined benefit plans	5,158	4,276	4,964	4,276
Superannuation - defined contribution plans	13,569	10,715	13,569	10,530
Long service leave	8,780	8,722	8,780	8,722
Workers compensation insurance	1,257	1,695	1,257	1,695
Payroll tax and fringe benefits tax	16,980	15,649	16,868	15,541
Voluntary redundancy	2,341	5,387	2,341	5,387
	<b>330,178</b>	<b>308,978</b>	<b>327,702</b>	<b>306,653</b>

**(b) Other Operating Expenses**

	Consolidated		Department of Commerce	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Auditor's remuneration				
- audit of the financial reports	550	494	525	470
Cost of sales	12,363	16,824	12,363	16,824
Government Radio Network operating expenses	12,272	15,265	12,272	15,265
Advertising	1,803	2,460	1,803	2,460
Bad and doubtful debts	2,589	3,726	2,589	3,726
Operating lease rental expense - minimum lease payments	25,202	25,919	25,149	25,691
Maintenance	10,865	8,564	10,653	8,564
Insurance	2,367	3,711	2,367	3,711
Fees and charges	20,385	15,608	20,166	15,498
Postage and telephone	6,869	8,323	6,562	8,025
Printing, stationery and stores	4,118	3,354	4,118	3,354
Consultants	257	447	205	447
Books and periodicals	1,108	847	1,108	847
Travel and motor vehicle expenses	5,646	4,304	5,646	4,304
Computer expenses	24,430	19,104	24,430	18,729
Minor equipment	4,316	4,595	4,316	4,595
Training	3,879	1,463	3,879	1,463
Other	7,405	10,166	5,250	7,862
	<b>146,424</b>	<b>145,174</b>	<b>143,401</b>	<b>141,835</b>
<b>Reconciliation</b>				
Maintenance expense, as above	10,865	8,564	10,653	8,564
Maintenance related employee expenses included in Note 2(a)*	-	-	-	-
Total maintenance expenses included in Notes 2(a) and 2(b)	<b>10,865</b>	<b>8,564</b>	<b>10,653</b>	<b>8,564</b>

\* Maintenance related services are generally provided by external service providers and therefore maintenance related employee expenses are minimal.

**(c) Depreciation and Amortisation Expense**

	Consolidated		Department of Commerce	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Depreciation				
- Buildings	483	463	483	463
- Plant and equipment	145,567	106,972	144,967	106,390
	<b>146,050</b>	<b>107,435</b>	<b>145,450</b>	<b>106,853</b>
Amortisation				
- Leasehold Improvements	2,085	860	2,085	860
- Intangible Assets	10,138	13,364	10,138	13,364
	<b>158,273</b>	<b>121,659</b>	<b>157,673</b>	<b>121,077</b>

**(d) Grants and Subsidies**

	Consolidated		Department of Commerce	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Information and Community Technology Grant	11,156	13,672	11,156	13,672
Subsidies to Fair Trading Admin Corporation	8,400	10,500	8,400	10,500
Tenancy Advice and Advocacy Program	3,499	3,053	3,499	3,053
Cleaning Service Incentive Payment	20,003	-	20,003	-
Other	7,938	2,271	7,938	2,271
	<b>50,996</b>	<b>29,496</b>	<b>50,996</b>	<b>29,496</b>

**(e) Finance Costs**

	<b>Consolidated</b>		<b>Department of Commerce</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Interest on borrowings	30,887	24,393	30,876	24,379
	<b>30,887</b>	<b>24,393</b>	<b>30,876</b>	<b>24,379</b>

**(f) Other Expenses**

	<b>Consolidated</b>		<b>Department of Commerce</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Decrease in prepaid superannuation	6,530	-	6,530	-
Other	3,999	1,601	3,999	1,601
	<b>10,529</b>	<b>1,601</b>	<b>10,529</b>	<b>1,601</b>

**3. REVENUE****(a) Sale of Goods and Services**

	<b>Consolidated</b>		<b>Department of Commerce</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Rendering of services				
- Project and asset management services	165,779	177,284	165,779	177,284
- Supply Fees	47,351	45,595	47,351	45,595
- Business and personnel services	35,378	22,979	35,378	22,979
- Advertising	4,080	4,393	4,080	4,393
- Motor vehicle leasing	193,840	139,300	193,840	139,300
- Administrative assistance	28,183	25,116	28,183	25,116
- Other services	39,816	32,232	34,174	27,308
	<b>514,427</b>	<b>446,899</b>	<b>508,785</b>	<b>441,975</b>

**(b) Investment Revenue**

	<b>Consolidated</b>		<b>Department of Commerce</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Interest on investments	11,156	9,971	11,156	9,890
Interest on bank accounts	3,586	2,605	3,501	2,605
	<b>14,742</b>	<b>12,576</b>	<b>14,657</b>	<b>12,495</b>

**(c) Retained Taxes, Fees and Fines**

	<b>Consolidated</b>		<b>Department of Commerce</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Statutory interest	41,428	30,356	41,428	30,356
Building Licensing Fees	8,294	8,076	8,294	8,076
Owner Builder Permit Fees	1,314	1,486	1,314	1,486
Motor Dealers Compensation Fees	1,481	641	1,481	641
Fines / Penalties	153	190	153	190
Other Fees	1,790	3,201	1,790	3,201
	<b>54,460</b>	<b>43,950</b>	<b>54,460</b>	<b>43,950</b>

**(d) Grants and Contributions**

	Consolidated		Department of Commerce	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Contribution from Rental Bond Board*	9,152	8,638	9,152	8,638
Other	4,594	1,526	3,975	545
	<b>13,746</b>	<b>10,164</b>	<b>13,127</b>	<b>9,183</b>

\* The cost of running the residential tenancy function of the Consumer Trader and Tenancy Tribunal is split 50/50 by the Rental Bond Board and the Property Services Statutory Interest Fund. This grant reflects the Rental Bond Board's contribution to the cost of administering this function.

**(e) Other Revenue**

	Consolidated		Department of Commerce	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Increase in prepaid superannuation (refer Note 13)	-	52,080	-	52,080
Discount received	3	10	3	10
Other	48	280	48	264
	<b>51</b>	<b>52,370</b>	<b>51</b>	<b>52,354</b>

**4. GAIN/(LOSS) ON DISPOSAL**

	Consolidated		Department of Commerce	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Gain/(loss) on disposal of property, plant and equipment</b>				
Proceeds from disposal	127,612	105,378	127,612	105,378
Written down value of assets disposed	(133,653)	(122,624)	(133,653)	(122,624)
<b>Net gain/(loss) on disposal of property, plant and equipment</b>	<b>(6,041)</b>	<b>(17,246)</b>	<b>(6,041)</b>	<b>(17,246)</b>

**5. APPROPRIATIONS**

	Consolidated		Department of Commerce	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Recurrent appropriations</b>				
Total recurrent draw-downs from Treasury (per Summary of Compliance)	161,541	138,126	161,541	138,126
Less: Liability to Consolidated Fund (per Summary of Compliance)	1,712	7,195	1,712	7,195
	<b>159,829</b>	<b>130,931</b>	<b>159,829</b>	<b>130,931</b>
Comprising:				
Recurrent appropriations (per Operating Statement)	159,829	130,931	159,829	130,931
Transfer payments	2,696	-	2,696	-
	<b>162,525</b>	<b>130,931</b>	<b>162,525</b>	<b>130,931</b>
<b>Capital appropriations</b>				
Total capital draw-downs from Treasury (per Summary of Compliance)	10,226	24,705	10,226	24,705
Less: Liability to Consolidated Fund (per Summary of Compliance)	639	1,037	639	1,037
	<b>9,587</b>	<b>23,668</b>	<b>9,587</b>	<b>23,668</b>
Comprising:				
Capital appropriations (per Operating Statement)	9,587	23,668	9,587	23,668
	<b>9,587</b>	<b>23,668</b>	<b>9,587</b>	<b>23,668</b>

**6. ACCEPTANCE BY THE CROWN ENTITY OF EMPLOYEE BENEFITS AND OTHER LIABILITIES**

The following liabilities and/or expenses have been assumed by the Crown Entity or other Government agencies:

	<b>Consolidated</b>		<b>Department of Commerce</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Superannuation	2,769	2,290	2,769	2,290
Long service leave	2,398	2,571	2,398	2,571
Payroll tax	146	138	146	138
	<b>5,313</b>	<b>4,999</b>	<b>5,313</b>	<b>4,999</b>

**7. PROGRAMS / ACTIVITIES OF THE AGENCY****1. Office of Fair Trading**

Review of fair trading legislation, provision of information and other services to consumers and traders, compliance enforcement and impartial dispute resolution through an independent Tribunal.

Objectives: To ensure a fair marketplace for consumers and traders.

**2. Office of Industrial Relations**

Provision of industrial relations information and policy advice. Inspection and regulation of NSW workplaces. Hearing and adjudication of appeals against promotion and disciplinary decisions in the public sector.

Objective(s): To ensure industrial relation laws in New South Wales are understood and complied with, and administration of the public sector appeals process.

**3. NSW Procurement**

In consultation with government and commercial stakeholders, support NSW Treasury develop and implement NSW Government Procurement Policy; provide operational support for the State Contracts Control Board; deliver electronic procurement tools and solutions; provide government advertising and government publication services; develop and implement the NSW Government Strategic Executive ICT Plan; manage the operation of key government ICT infrastructure and coordinate emergency services communication.

Objective(s): To assist NSW Government agencies in delivering improved services to the community through better solutions to managing their costs and risks.

**4. Office of Public Works and Services**

Help government agencies to develop and maintain public infrastructure in the planning, design and delivery of building, engineering and information communications technology assets. Manage projects and programs, resolve disputes, find sustainable solutions to the problems of capturing, treating and distributing water, manage motor vehicle fleets and office corporate services. Help mitigate the consequences of natural disasters and possible terrorism.

Objective(s): Provide commercial services to government agencies to help them maximise the value, minimise the cost and manage the risks in the services they provide to the community.

**5. Business and Personnel Services**

Business and personnel services are provided to various agencies including State Records Authority; NSW BusinessLink Pty Limited for Department of Ageing, Disability and Home Care, Department of Housing, Department of Community Services; and Natural Resources Corporate Services for the Department of Water and Energy, Department of Planning, the Growth Centres Commission and 13 Catchment Management Authorities.

Objective(s): To provide business and personnel services to selected agencies as part of the State's WorkChoices insulation legislation as well as promote efficiencies in the provision of corporate services.

**8. TRANSFER OF PROGRAMS**

The following transfer of programs occurred during the current financial year as a result of administrative restructures:

**1. State Property Authority**

The State Property Authority was established on 1 September 2006. With the formation of the State Property Authority, a majority of functions of the former State Property branch of Commerce were transferred to the new Authority. Project management functions of the former State Property branch were retained by Commerce. Therefore the Department's 2006/07 financial statements include two months of transactions relating to the transferred functions and twelve months of transactions relating to the functions retained by Commerce.

**2. Property Valuation Services**

The Property Valuation Services provided by the Department of Commerce were transferred to the Department of Lands with effect from 1 March 2007. Therefore the Department's financial statements include only eight months of transactions relating to Property Valuation Services.

**3. State Records Authority**

The employees of the State Records Authority were transferred to the Department of Commerce on 1 November 2006 and therefore Commerce's financial statements include employee related transactions for eight months and employee provisions as at 30 June 2007.

Following the transfer of employees to Commerce, employee liabilities totalling \$2.03M was transferred into the Department of Commerce. A corresponding entry for \$2.03M recoverable from State Records Authority was also recognised in Commerce's accounts resulting in a nil impact on net assets.

**4. Shared Services of the Former Department of Natural Resources**

The shared services functions of the former Department of Natural Resources were transferred to the Department of Commerce with effect from 30 April 2007. Therefore the Department of Commerce operating statement includes two months transactions of the transferred functions. A summary of full year revenue and expenses of the program is as follows:

	<b>01.07.06 to 30.04.07 \$'000</b>	<b>01.05.07 to 30.06.07 \$'000</b>	<b>2006/07 \$'000</b>
<b>Expenses excluding losses</b>			
Operating Expenses			
Employee related	15,913	3,634	19,547
Other operating expenses	17,651	5,538	23,189
Depreciation and amortisation	6,217	1,081	7,298
<b>Total Expenses excluding losses</b>	<b>39,781</b>	<b>10,253</b>	<b>50,034</b>
Less:			
<b>Revenue</b>			
Sale of goods and services	3,858	18	3,876
Investment income	110	11	121
<b>Total Revenue</b>	<b>3,968</b>	<b>29</b>	<b>3,997</b>
<b>Gain/(loss) on disposal</b>	<b>588</b>	<b>(75)</b>	<b>513</b>
<b>Net Cost of Services</b>	<b>35,225</b>	<b>10,299</b>	<b>45,524</b>

**Note:** Comparative figures for previous year are not available as these functions were not reported separately in 2005/06.

Following the transfer of functions, assets totalling \$93.26M and liabilities totalling \$15.85M were transferred into the Department of Commerce resulting in a net increase of \$77.41M in net assets.

**5. Office of BusinessLink**

The former Department of BusinessLink was abolished and the Office of BusinessLink was established as an office within the Department of Commerce with effect from 30 April 2007. Therefore the Department of Commerce operating statement includes two months transactions of the Office. A summary of full year revenue and expenses of the program is as follows:

	<b>01.07.06 to 30.04.07 \$'000</b>	<b>01.05.07 to 30.06.07 \$'000</b>	<b>2006/07 \$'000</b>	<b>2005/06 \$'000</b>
<b>Expenses</b>				
Operating Expenses				
Employee related	37,926	6,149	44,075	40,945
Other operating expenses	23	32	55	89
<b>Total Expenses excluding losses</b>	<b>37,949</b>	<b>6,181</b>	<b>44,130</b>	<b>41,034</b>
Less:				
<b>Revenue</b>				
Sale of goods and services	35,171	5,592	40,763	37,728
Investment income	99	40	139	78
Grants and contributions	2,679	549	3,228	3,228
<b>Total Revenue</b>	<b>37,949</b>	<b>6,181</b>	<b>44,130</b>	<b>41,034</b>

On 1 May 2007 employee liabilities totalling \$17.1M and assets totalling \$21.4M were transferred to the Department of Commerce resulting in an increase of \$4.3M in net assets.

**9. CURRENT ASSETS - CASH AND CASH EQUIVALENTS**

	<b>Consolidated</b>		<b>Department of Commerce</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Cash at bank and on hand	108,315	63,373	106,808	61,555
Deposit with T-Corp	-	238,278	-	238,278
Hour Glass Cash Facility	259,023	561	259,023	561
	<b>367,338</b>	<b>302,212</b>	<b>365,831</b>	<b>300,394</b>

For the purposes of the Cash Flow Statement, cash includes cash on hand, cash at bank, deposit with T-Corp, Cash Facility and Cash Plus Facility.

Cash assets recognised in the Balance Sheet are reconciled to cash at the end of the financial year as shown in the Cash Flow Statement as follows:

	<b>Consolidated</b>		<b>Department of Commerce</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Cash (per Balance Sheet)	367,338	302,212	365,831	300,394
Closing cash and cash equivalents (per Cash Flow Statement)	<b>367,338</b>	<b>302,212</b>	<b>365,831</b>	<b>300,394</b>

**10. CURRENT / NON-CURRENT ASSETS - RECEIVABLES**

	Consolidated		Department of Commerce	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Sale of goods and services	113,740	119,223	113,073	118,561
Less: Allowance for impairment	2,928	2,815	2,928	2,815
	110,812	116,408	110,145	115,746
Retained taxes, fees and fines	11,770	10,078	11,770	10,078
Less: Allowance for impairment	6,955	7,636	6,955	7,636
	4,815	2,442	4,815	2,442
Accrued bank interest	2,200	1,325	2,200	1,325
Administrative assistance due	-	-	-	-
Long service leave reimbursable by the Crown Entity	59,290	62,530	59,290	62,530
Work in Progress *	36,099	18,270	36,099	18,270
Employee provisions recoverable from other agencies	17,160	-	17,160	-
Other	18,262	1,323	18,262	1,323
	<b>248,638</b>	<b>202,298</b>	<b>247,971</b>	<b>201,636</b>

**\* Work in Progress**

The NSW Department of Commerce acts as principal in the contract for construction works undertaken for clients. The role of the Department includes the payment of contractors on the clients' behalf.

Work in Progress represents the cost of all works in progress less progress billings to clients and is net of a provision for uncollectable work in progress of \$11.7M (\$12.5M in 2006). At 30 June 2007, work in the ground was valued at \$98.9M (\$119.6M in 2006) and this accrual is reflected in current liabilities [refer Note 17].

The contract conditions allow the Department to require performance bonds from the contractors in the form of cash deposit, unconditional bank guarantee or insurance bonds to cover the Department against losses that may arise from uncompleted or faulty jobs.

Australian Accounting Standard AASB111 *Construction Contracts* requires the amount due from customers for contract work to be disclosed as an asset (Work in Progress) and the amount due to customers for contract work as a liability (Advance Claim). The Standard also requires disclosure of the aggregate of contract costs and aggregate of consideration received and receivable as progress billings. Gross Work in Progress and billings to date are as follows:

	Consolidated		Department of Commerce	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Gross work in progress as at 30 June	1,268,113	3,468,177	1,268,113	3,468,177
Billings to date	(1,220,364)	(3,437,349)	(1,220,36)	(3,437,349)
Net work in progress	47,749	30,828	47,749	30,828
Provision for uncollectable work in progress	(11,650)	(12,558)	(11,650)	(12,558)
Work in progress as per Balance Sheet	<b>36,099</b>	<b>18,270</b>	<b>36,099</b>	<b>18,270</b>

Under the security of payment legislation, General Conditions of Contract AS 2124 and C21 contracts, there are specific conditions relating to the payment of contractor claims for work completed. Penalties for failure to adhere to these conditions include payment of interest. To ensure contractual payment obligations are met, agreements have been made for major clients to pay according to a monthly cash flow determined on the basis of client funds being lodged in Commerce's bank account to facilitate the payment of contractors claims. The Standard requires advances received from clients to be disclosed as a liability. Cash received against advance claims is estimated to be \$39M as at 30 June 2007 (\$23M as at 30 June 2006).

Gross work in progress and billings to date as at 30 June 2007 reduced significantly compared to previous year as a result of a decision to exclude all projects that are commissioned or operational.

Advance claims shown in the Balance Sheet as a current liability are as follows:

	Consolidated		Department of Commerce	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Advance Claims as per Balance Sheet (refer Note 17)	64,261	46,283	64,261	46,283

**11. CURRENT / NON-CURRENT ASSETS - INVENTORIES**

	<b>Consolidated</b>		<b>Department of Commerce</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>				
Finished goods - at cost	638	638	638	638
	<b>638</b>	<b>638</b>	<b>638</b>	<b>638</b>
<b>Non-current</b>				
Finished goods - at cost	5,529	5,805	5,529	5,805
	<b>5,529</b>	<b>5,805</b>	<b>5,529</b>	<b>5,805</b>

**12. CURRENT ASSETS - FINANCIAL ASSETS AT FAIR VALUE**

	<b>Consolidated</b>		<b>Department of Commerce</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets</b>				
T-Corp Hour-Glass investment facilities	24,855	27,670	24,855	27,670
	<b>24,855</b>	<b>27,670</b>	<b>24,855</b>	<b>27,670</b>

**13. CURRENT ASSETS / OTHER**

	<b>Consolidated</b>		<b>Department of Commerce</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>				
Prepaid superannuation	50,857	58,106	50,857	58,106
Other prepayments	11,436	6,622	11,408	6,622
Other	86	108	86	94
	<b>62,379</b>	<b>64,836</b>	<b>62,351</b>	<b>64,822</b>

**Prepaid Superannuation****Accounting Policy**

Superannuation liabilities relating to the commercial operations are fully funded by the Department and actuarial gains and losses are recognised in the profit or loss in the year they occur.

**Fund Information**

The Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes:

- State Superannuation Scheme (SSS);
- State Authorities Superannuation Scheme (SASS);
- State Authorities Non Contributory Superannuation Scheme (SANCS).

These schemes are all defined benefit schemes - at least a component of the final benefit is deemed from a multiple of member salary and year of membership. All the schemes are closed to new members.

**Reconciliation of the Present Value of the Defined Benefit Obligations**

A reconciliation of the present value of the defined benefit obligation for the financial year to 30 June 2007 is as follows:

	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Present value of defined benefit obligations at beginning of the year	97,487	26,812	642,186	766,485
Current service cost	3,010	1,531	4,232	8,773
Interest cost	5,581	1,509	37,155	44,245
Contributions by fund participants	1,641	0	4,592	6,233
Actuarial (gains)/losses	(3,482)	(1,391)	(39,634)	(44,507)
Benefits paid	(4,339)	(2,984)	(34,272)	(41,595)
<b>Present value of defined benefit obligations at end of the year</b>	<b>99,898</b>	<b>25,477</b>	<b>614,259</b>	<b>739,634</b>

Comparative information as at 30 June 2006 is as follows:

	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Present value of defined benefit obligations at beginning of the year	98,824	29,110	703,504	831,438
Current service cost	3,503	1,669	6,315	11,487
Interest cost	5,741	1,446	37,971	45,158
Contributions by fund participants	1,728	0	4,693	6,421
Actuarial (gains)/losses	(3,479)	(1,859)	(88,590)	(93,928)
Benefits paid	(8,830)	(3,554)	(21,707)	(34,091)
<b>Present value of defined benefit obligations at end of the year</b>	<b>97,487</b>	<b>26,812</b>	<b>642,186</b>	<b>766,485</b>

**Reconciliation of the Fair Value of Fund Assets**

A reconciliation of the fair value of fund assets for the financial year to 30 June 2007 is as follows:

	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Fair value of fund assets at beginning of the year	116,508	37,905	784,322	938,735
Fund Assets transferred from BusinessLink	19,040	5,907	41,357	66,304
Expected return on fund assets	8,640	2,789	58,651	70,080
Actuarial gains/(losses)	6,726	2,304	44,055	53,085
Employer contributions	27	0	199	226
Contributions by fund participants	1,640	0	4,592	6,232
Benefits paid	(4,339)	(2,984)	(34,272)	(41,595)
<b>Fair value of fund assets at end of the year</b>	<b>148,242</b>	<b>45,921</b>	<b>898,904</b>	<b>1,093,067</b>

Comparative information as at 30 June 2006 is as follows:

	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Fair value of fund assets at beginning of the year	103,073	31,293	703,097	837,463
Expected return on fund assets	7,584	2,277	52,408	62,269
Actuarial gains/(losses)	7,348	2,681	56,340	66,369
Employer contributions	5,605	5,208	(10,509)	304
Contributions by fund participants	1,728	0	4,693	6,421
Benefits paid	(8,830)	(3,554)	(21,707)	(34,091)
<b>Fair value of fund assets at end of the year</b>	<b>116,508</b>	<b>37,905</b>	<b>784,322</b>	<b>938,735</b>

### Reconciliation of Assets and Liabilities

A summary of assets and liabilities recognised in the Balance Sheet as at 30 June 2007 is as follows:

	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Present value of defined benefit obligations	99,898	25,477	614,259	739,634
Fair value of fund assets	(129,202)	(40,014)	(857,547)	(1,026,763)
Sub Total	(29,304)	(14,537)	(243,288)	(287,129)
BusinessLink balance transferred	(2,205)	(1,409)	(1,715)	(5,329)
Adjustment for limitation on net asset	24,657	12,232	204,712	241,601
Net (asset)/liability	(6,852)	(3,714)	(40,291)	(50,857)

Comparative information as at 30 June 2006 is as follows:

	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Present value of defined benefit obligations	97,487	26,812	642,186	766,485
Fair value of fund assets	(116,508)	(37,904)	(784,321)	(938,733)
Sub Total	(19,021)	(11,092)	(142,135)	(172,248)
BusinessLink balance transferred	(1,457)	(745)	(4,521)	2,319
State Property Authority balance transferred	4	80	(1,684)	1,600
Adjustment for limitation on net asset	12,604	7,350	94,188	114,142
Net (asset)/liability	(7,870)	(4,407)	(41,742)	(57,387)

### Expense Recognised in Income Statement

Total expense recognised in Income Statement for the year ended 30 June 2007 is summarised below:

	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Current service cost	3,011	1,531	4,232	8,774
Interest cost	5,581	1,509	37,155	44,245
Expected return on fund assets (net of expenses)	(8,640)	(2,789)	(58,651)	(70,080)
Actuarial losses/(gains) recognised in year	(10,208)	(3,695)	(83,688)	(97,591)
Movement in adjustment for limitation on net asset	12,053	4,881	110,523	127,457
Liability transferred to State Property Authority	(4)	(80)	1,684	1,600
Net gain - BusinessLink balances	(748)	(664)	(6,236)	(7,648)
Employer Contributions	(27)	-	(200)	(227)
Expense/(income) recognised	1,018	693	4,819	6,530

Comparative information as at 30 June 2006 is as follows:

	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Current service cost	3,503	1,669	6,315	11,487
Interest on obligation	5,740	1,445	37,970	45,155
Expected return on plan assets	(7,583)	(2,277)	(52,408)	(62,268)
Net actuarial losses/(gains) recognised in year	(10,827)	(4,539)	(144,928)	(160,294)
Movement in adjustment for limitation on net asset	12,604	7,350	94,188	114,142
Employer Contributions	(5,605)	(5,207)	10,510	(302)
Expense/(income) recognised	(2,168)	(1,559)	(48,353)	(52,080)

**Fund Assets**

The percentage invested in each asset class at the Balance Sheet date:

	30 June 2007	30 June 2006
Australian equities	33.6%	37.4%
Overseas equities	26.5%	27.9%
Australian fixed interest securities	6.8%	9.9%
Overseas fixed interest securities	6.4%	6.8%
Property	10.1%	8.6%
Cash	9.8%	5.0%
Other	6.8%	4.4%

**Fair Value of Fund Assets**

All Fund assets are invested by STC at arm's length through independent fund managers.

**Expected Rate of Return on Assets**

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each class. The returns used for each class are net of investment tax and investment fees.

**Actual Return on Fund Assets**

A summary of actual return on fund assets for the year ended 30 June 2007 is provided below:

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Actual return on plan assets	16,459	5,093	110,459	132,011

Comparative figures for the year ended 30 June 2006 are as follows:

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Actual return on plan assets	15,739	4,958	109,389	130,086

**Valuation Method and Principal Actuarial Assumptions at the Balance Sheet Date**

Details of valuation method and principal actuarial assumptions as at the reporting date are as follows:

**a) Valuation Method**

The Projected Unit Credit valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

**b) Economic Assumptions**

	30 June 2007	30 June 2006
Salary increase rate (excluding promotional increases)	4% per annum to June 2008; 3.5% per annum thereafter	4.0% per annum to June 2008; 3.5% per annum thereafter
Rate of CPI increase	2.5% per annum	2.5% per annum
Expected return on assets	7.6% per annum	7.6% per annum
Discount rate	6.4% per annum	5.9% per annum

**c) Demographic Assumptions**

Assumptions with regard to rates of mortality, resignation, retirement and other demographics are those used for the 2006 triennial valuation.

**Funding Arrangements for Employer Contributions****a) Surplus/(Deficit)**

The following is summary of the 30 June 2007 financial position of the Fund calculated in accordance with AAS 25 - Financial Reporting by Superannuation Plans.

	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Accrued benefit	98,408	25,242	554,351	678,001
Net market value of Fund assets	(129,202)	(40,014)	(857,547)	1,026,763
Net (surplus)/deficit	(30,794)	(14,772)	(303,196)	(348,762)

Comparative figures as at 30 June 2006 are as follows:

	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Accrued benefit	93,182	25,518	544,027	662,727
Net market value of Fund assets	(116,508)	(37,904)	(784,321)	(938,733)
Net (surplus)/deficit	(23,326)	(12,386)	(240,294)	(276,006)

**b) Contributions**

During 2000/01, the SAS Trustees Corporation granted the former DPWS a "superannuation contribution holiday" in respect of contributions to the above schemes. The contribution holiday was extended for the following financial years and continued in 2006/07 for Office of Public Works and Services and NSW Procurement, the commercial groups of the Department.

**c) Funding Method**

The method used to determine the employer contribution recommendations at the last actuarial review was the Aggregate Funding method. The method adopted affects the timing of the cost to the employer.

Under the Aggregate Funding method, the employer contribution rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account the current value of assets and future contributions.

**d) Economic Assumptions**

The economic assumptions adopted for the current actuarial review of the Fund are:

<b>Weighted Average Assumptions</b>	<b>30 June 2007</b>	<b>30 June 2006</b>
Expected rate of return on Fund assets backing current liabilities	7.7% per annum	7.7% per annum
Expected rate of return on Fund assets backing other liabilities	7.0% per annum	7.0% per annum
Expected salary increase rate	4.0% per annum	4.0% per annum
Expected rate of CPI increase	2.5% per annum	2.5% per annum

**Nature of Asset/Liability**

If a surplus exists in the employer's interest in the Fund, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Fund's actuary.

Where a deficiency exists, the employer is responsible for any difference between the employer's share of fund assets and the defined benefit obligation.

**14. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT****As at 30 June 2007**

	<b>Consolidated</b>		<b>Department of Commerce</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Land and Buildings</b>				
At fair value	89,846	25,983	89,846	25,983
Less: Accumulated depreciation and impairment	3,105	907	3,105	907
	<b>86,741</b>	<b>25,076</b>	<b>86,741</b>	<b>25,076</b>

**Plant and Equipment**

At fair value	871,515	715,618	865,440	710,084
Less: Accumulated depreciation and impairment	257,950	189,040	253,170	184,878
	<b>613,565</b>	<b>526,578</b>	<b>612,270</b>	<b>525,206</b>

**As at 30 June 2007**

	<b>Consolidated</b>		<b>Department of Commerce</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Leasehold Improvements</b>				
At fair value	16,472	15,503	16,472	15,503
Less: Accumulated depreciation and impairment	8,049	6,047	8,049	6,047
	<b>8,423</b>	<b>9,456</b>	<b>8,423</b>	<b>9,456</b>

**Total Property, Plant and Equipment at Net Carrying Amount**

	<b>708,728</b>	<b>561,110</b>	<b>707,434</b>	<b>559,738</b>
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**As at 30 June 2006**

	<b>Consolidated</b>		<b>Department of Commerce</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Land and Buildings</b>				
At fair value	25,983	25,983	25,983	25,983
Less: Accumulated depreciation and impairment	907	443	907	443
	<b>25,076</b>	<b>25,540</b>	<b>25,076</b>	<b>25,540</b>

**Plant and Equipment**

At fair value	715,618	660,087	710,084	654,801
Less: Accumulated depreciation and impairment	189,040	192,110	184,878	188,512
	<b>526,578</b>	<b>467,977</b>	<b>525,206</b>	<b>466,289</b>

**Leasehold Improvements**

At fair value	15,503	4,966	15,503	4,966
Less: Accumulated depreciation and impairment	6,047	3,878	6,047	3,878
	<b>9,456</b>	<b>1,088</b>	<b>9,456</b>	<b>1,088</b>

**Total Property, Plant and Equipment at Net Carrying Amount**

	<b>561,110</b>	<b>494,605</b>	<b>559,738</b>	<b>492,917</b>
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**Reconciliation - Consolidated Entity**

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous reporting period is set out below:

	<b>Land and Buildings \$'000</b>	<b>Plant and Equipment \$'000</b>	<b>Leasehold Improvements \$'000</b>	<b>Total \$'000</b>
<b>Year Ended 30 June 2007 - Consolidated Entity</b>				
Carrying amount at start of year	25,076	526,578	9,456	561,110
Assets transferred - administrative restructure	61,828	18,086	79	79,993
Additions	-	338,438	1,315	339,753
Disposals	(1,199)	(132,097)	(356)	(133,652)
Depreciation expense	(483)	(145,290)	(2,109)	(147,882)
Other reclassifications	1,519	7,850	38	9,407
<b>Carrying amount at end of year</b>	<b>86,741</b>	<b>613,565</b>	<b>8,423</b>	<b>708,729</b>
<b>Year Ended 30 June 2006 - Consolidated Entity</b>				
Carrying amount at start of year	25,540	467,977	1,088	494,605
Additions	-	308,548	6,599	315,147
Disposals	-	(122,391)	(4)	(122,395)
Depreciation expense	(464)	(106,972)	(860)	(108,296)
Other reclassifications	-	(20,584)	2,633	(17,951)
<b>Carrying amount at end of year</b>	<b>25,076</b>	<b>526,578</b>	<b>9,456</b>	<b>561,110</b>

**Reconciliation - Parent Entity**

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous reporting period is set out below:

	<b>Land and Buildings \$'000</b>	<b>Plant and Equipment \$'000</b>	<b>Leasehold Improvements \$'000</b>	<b>Total \$'000</b>
<b>Year Ended 30 June 2007 - Parent Entity</b>				
Carrying amount at start of year	25,076	525,206	9,456	559,738
Assets transferred - administrative restructure	61,828	18,086	79	79,993
Additions	-	337,915	1,315	339,230
Disposals	(1,199)	(132,097)	(356)	(133,652)
Depreciation expense	(483)	(144,690)	(2,109)	(147,282)
Other reclassifications	1,519	7,850	38	9,407
<b>Carrying amount at end of year</b>	<b>86,741</b>	<b>612,270</b>	<b>8,423</b>	<b>707,434</b>
<b>Year Ended 30 June 2006 - Parent Entity</b>				
Carrying amount at start of year	25,540	466,289	1,088	492,917
Additions	-	308,281	6,599	314,880
Disposals	-	(122,391)	(4)	(122,395)
Depreciation expense	(464)	(106,389)	(860)	(107,713)
Other reclassifications	-	(20,584)	2,633	(17,951)
<b>Carrying amount at end of year</b>	<b>25,076</b>	<b>525,206</b>	<b>9,456</b>	<b>559,738</b>

**15. INTANGIBLE ASSETS**

	<b>Consolidated</b>		<b>Department of Commerce</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Gross carrying amount	100,870	117,877	100,870	117,877
Accumulated amortisation and impairment	(48,685)	(59,157)	(48,685)	(59,157)
<b>Net carrying amount</b>	<b>52,185</b>	<b>58,720</b>	<b>52,185</b>	<b>58,720</b>

**Reconciliation - Consolidated Entity**

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial years are set out below:

<b>Year Ended 30 June</b>	<b>Software</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>2007 - Consolidated Entity</b>		
Carrying amount at start of year	58,720	58,720
Assets transferred - administrative restructure	1,874	1,874
Additions	11,787	11,787
Depreciation expense	(10,391)	(10,391)
Other reclassifications	(9,805)	(9,805)
<b>Carrying amount at end of year</b>	<b>52,185</b>	<b>52,185</b>

<b>Year Ended 30 June</b>	<b>Software</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>2006 - Consolidated Entity</b>		
Carrying amount at start of year	39,198	39,198
Additions	15,163	15,163
Disposals	(228)	(228)
Depreciation expense	(13,364)	(13,364)
Other reclassifications	17,951	17,951
<b>Carrying amount at end of year</b>	<b>58,720</b>	<b>58,720</b>

**Reconciliation - Parent Entity**

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial years are set out below:

<b>Year Ended 30 June</b>	<b>Software</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>2007 - Parent Entity</b>		
Carrying amount at start of year	58,720	58,720
Assets transferred - administrative restructure	1,874	1,874
Additions	11,787	11,787
Depreciation expense	(10,391)	(10,391)
Other reclassifications	(9,805)	(9,805)
<b>Carrying amount at end of year</b>	<b>52,185</b>	<b>52,185</b>

<b>Year Ended 30 June</b>	<b>Software</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>2006 - Parent Entity</b>		
Carrying amount at start of year	39,198	39,198
Additions	15,163	15,163
Disposals	(228)	(228)
Depreciation expense	(13,364)	(13,364)
Other reclassifications	17,951	17,951
<b>Carrying amount at end of year</b>	<b>58,720</b>	<b>58,720</b>

**16. NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE**

	Consolidated		Department of Commerce	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Assets held for sale</b>				
Land and buildings	16,000	16,000	16,000	16,000
	<b>16,000</b>	<b>16,000</b>	<b>16,000</b>	<b>16,000</b>

**17. CURRENT LIABILITIES - PAYABLES**

	Consolidated		Department of Commerce	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Accrued salaries, wages and on-costs	5,721	5,439	5,721	5,439
Creditors	97,175	71,790	97,036	71,790
Advance Claims (refer Note 10)	64,261	46,283	64,261	46,283
Amounts due to contractors for work in progress (refer Note 10)	98,860	119,581	98,860	119,581
Other	12,006	19,124	11,686	18,813
	<b>278,023</b>	<b>262,217</b>	<b>277,564</b>	<b>261,906</b>

**18. CURRENT / NON-CURRENT LIABILITIES - BORROWINGS**

	Consolidated		Department of Commerce	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Current Liabilities</b>				
T-Corp borrowings	262,077	217,705	262,077	217,705
Other	166	-	-	-
	<b>262,243</b>	<b>217,705</b>	<b>262,077</b>	<b>217,705</b>
<b>Non-Current Liabilities</b>				
T-Corp borrowings	266,230	220,074	266,230	220,074
	<b>266,230</b>	<b>220,074</b>	<b>266,230</b>	<b>220,074</b>
<b>Total Borrowings</b>	<b>528,473</b>	<b>437,779</b>	<b>528,307</b>	<b>437,779</b>

The Department has a loan facility with T-Corp with a limit of \$650M to fund the State Fleet Leasing Arrangement. Each month funds are drawn from this facility to cover the purchase price of motor vehicles purchased during the previous month. Monthly settlement of principal and interest are made in respect of loan funds drawn down in prior months based on repayment schedules calculated according to individual vehicle lease terms, residuals and capital costs. The monthly settlement also includes repayment of outstanding principal for vehicles disposed of during the preceding month. (Borrowings are recognised at amortised cost using the effective interest method in AASB 139.)

Out of this facility \$528.3M was utilised as at 30 June 2007.

**19. CURRENT LIABILITIES - PROVISIONS**

	Consolidated		Department of Commerce	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Employee benefits and related on-costs</b>				
Recreation leave	33,947	25,906	33,791	25,756
Long service leave	70,027	62,559	70,007	62,531
Payroll tax	7,570	5,535	7,570	5,535
	<b>111,544</b>	<b>94,000</b>	<b>111,368</b>	<b>93,822</b>
<b>Other Provisions</b>				
Provision for Income Tax	-	1,046	-	1,046
Provision for transfer to NSW Treasury	8,800	5,579	8,800	5,579
Provision for outstanding claims	1,856	1,856	1,856	1,856
Provision for make good	-	19	-	-
	<b>10,656</b>	<b>8,500</b>	<b>10,656</b>	<b>8,481</b>
<b>Total Current Provisions</b>	<b>122,200</b>	<b>102,500</b>	<b>122,024</b>	<b>102,303</b>
<b>Aggregate employee benefits and related on-costs</b>				
Provisions - current	111,646	94,000	111,470	93,822
Accrued salaries, wages and on-costs (Note 17)	5,721	5,439	5,721	5,439
	<b>117,367</b>	<b>99,439</b>	<b>117,191</b>	<b>99,261</b>
<b>Employee benefits expected to be settled within 12 months from the reporting date</b>				
Recreation leave	17,098	9,551	16,952	9,496
Long service leave	7,002	6,300	7,000	6,297
	<b>24,100</b>	<b>15,851</b>	<b>23,952</b>	<b>15,793</b>
<b>Employee benefits expected to be settled in more than 12 months from the reporting date</b>				
Recreation leave	16,849	16,355	16,839	16,260
Long service leave	63,025	56,259	63,007	56,234
	<b>79,874</b>	<b>72,614</b>	<b>79,846</b>	<b>72,494</b>
<b>Movements in provisions (other than employee benefits)</b>				
Movements in each class of provision during the financial year, other than employee benefits are set out below:				
<b>Provision for Income Tax</b>				
Carrying amount as at beginning of financial year	1,046	(3,681)	1,046	(3,681)
Provision made during the year	-	4,183	-	4,183
Refund during the year	-	3,681	-	3,681
Payment during the year	1,046	(3,137)	1,046	(3,137)
Carrying amount at end of financial year	<b>0</b>	<b>1,046</b>	<b>0</b>	<b>1,046</b>
<b>Provision for Transfer to NSW Treasury</b>				
Carrying amount as at beginning of the year	5,579	1,968	5,579	1,968
Provision made during the year	8,800	5,579	8,800	5,579
Additional transfer - sale of QStores and cmSolutions	-	25,278	-	25,278
Payment during the year	(5,579)	(27,246)	(5,579)	(27,246)
Carrying amount at end of financial year	<b>8,800</b>	<b>5,579</b>	<b>8,800</b>	<b>5,579</b>
<b>Provision for Outstanding Claims</b>				
Carrying amount as at beginning of the year	1,856	1,100	1,856	1,100
Increase in provision from remeasurement	-	756	-	756
Carrying amount at end of financial year	<b>1,856</b>	<b>1,856</b>	<b>1,856</b>	<b>1,856</b>
<b>Other Provisions</b>				
Carrying amount as at beginning of the year	-	19	-	-
Provision made during the year	708	-	708	-
Carrying amount at end of financial year	<b>708</b>	<b>19</b>	<b>708</b>	<b>-</b>

**20. CURRENT / NON-CURRENT LIABILITIES - OTHER**

	Consolidated		Department of Commerce	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Current Liabilities</b>				
Liability to Consolidated Fund	1,712	8,232	1,712	8,232
Liability to Crown Entity	-	1,764	-	1,764
Other creditors and accruals	8,696	9,319	7,651	7,650
<b>Total</b>	<b>9,883</b>	<b>19,315</b>	<b>9,363</b>	<b>17,646</b>
<b>Non Current Liabilities</b>				
Other	6,731	298	6,319	140
<b>Total</b>	<b>6,731</b>	<b>298</b>	<b>6,319</b>	<b>140</b>

**21. CHANGES IN EQUITY**

	Consolidated		Department of Commerce	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b><u>Balance at beginning of the financial year</u></b>				
Accumulated funds	401,411	359,219	397,042	354,814
Outside equity interests	(2,838)	(2,727)	-	-
Asset revaluation reserve	18,607	18,607	18,607	18,607
<b>Total</b>	<b>417,180</b>	<b>375,099</b>	<b>415,649</b>	<b>373,421</b>
<b><u>Changes in equity - transactions with owners as owners</u></b>				
Transfer to NSW Treasury for the year	(8,800)	(5,579)	(8,800)	(5,579)
Net transfer due to administrative restructure	93,777	-	93,777	-
Transfer of proceeds from sale of discontinued operation	-	(25,278)	-	(25,278)
<b>Total</b>	<b>84,977</b>	<b>(30,857)</b>	<b>84,977</b>	<b>(30,857)</b>
<b><u>Changes in equity - other than transactions with owners as owners</u></b>				
Surplus for the year	38,726	72,827	38,591	73,085
Outside equity interests	101	111	-	-
<b>Total</b>	<b>38,827</b>	<b>72,938</b>	<b>38,591</b>	<b>73,085</b>
<b><u>Total equity as at 30 June 2007</u></b>				
Accumulated funds	525,111	401,411	520,610	397,042
Outside equity interests	(2,737)	(2,838)	-	-
Asset revaluation reserve	18,607	18,607	18,607	18,607
<b>Total</b>	<b>540,981</b>	<b>417,180</b>	<b>539,217</b>	<b>415,649</b>

**Asset Revaluation Reserve**

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. This accords with the Department's policy on the 'Revaluation of Property, Plant and Equipment', as discussed in Note 1(l).

**22. COMMITMENTS FOR EXPENDITURE****(a) Capital Commitments**

	Consolidated		Department of Commerce	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Aggregate capital expenditure for the acquisition of information technology equipment and office equipment contracted for at balance date and not provided for:				
Not later than one year	2,251	5,529	2,251	5,529
Later than one year and not later than five years	364	-	364	-
Later than five years	-	-	-	-
<b>Total (including GST)</b>	<b>2,615</b>	<b>5,529</b>	<b>2,615</b>	<b>5,529</b>

**(b) Other Expenditure Commitments**

	Consolidated		Department of Commerce	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Aggregate other expenditure for the acquisition of office supplies and grant payments contracted for at balance date and not provided for:				
Not later than one year	709	1,477	709	1,477
Later than one year and not later than five years	-	-	-	-
Later than five years	-	-	-	-
<b>Total (including GST)</b>	<b>709</b>	<b>1,477</b>	<b>709</b>	<b>1,477</b>

**(c) Operating Lease Commitments**

	Consolidated		Department of Commerce	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Future non-cancellable operating lease rentals not provided for and payable:				
Not later than one year	31,434	29,718	31,434	29,718
Later than one year and not later than five years	72,314	28,605	72,314	28,605
Later than five years	125,729	8,816	125,729	8,816
<b>Total (including GST)</b>	<b>229,477</b>	<b>67,139</b>	<b>229,477</b>	<b>67,139</b>

The Department has entered into operating lease agreements with government agencies and private companies for provision of accommodation, motor vehicles, computers and plant and equipment for the Department's use.

**Property Leases**

Accommodation leases are entered into with the Crown Property Portfolio and private sector companies. The term of accommodation leases range from two to five years with the option for renewal for further terms. The lease agreement allows the lessor to review rents on specified dates. There is no option for the purchase of buildings at the expiry of the lease term. Recurrent outgoings including cleaning, electricity, rates, management fee and public liability insurance is the responsibility of the Department and all repairs and maintenance of a structural or capital nature is the responsibility of the lessor.

**Motor Vehicle Leases**

Motor vehicles for the Department's use are leased from StateFleet (a business unit of the Department of Commerce) under the New South Wales Government motor vehicle leasing arrangement with Macquarie Bank Limited. StateFleet is the fleet manager of the NSW Government for this facility. The motor vehicles are generally leased for a period of up to 36 months and are returned to the lessor on the expiry of the lease term. The cost of maintaining the vehicle including fuel and repair and maintenance is the responsibility of the Department of Commerce.

Penalties are applicable for return of vehicles either more than three months prior to or more than three months later than the lease expiry date. There is no option for purchase of the motor vehicles on expiry of the lease term.

### Computer Leases

The Department leases standard personal computers from private sector agencies under the NSW Government IT Master Leasing Agreement. The lease term is three years and the computers are returned to the lessor on the expiry of the term. Early termination fee is payable for termination of the contract before the expiry of the contract term. There is no option for the purchase of computers at the expiry of the lease term.

In accordance with NSW Treasury policy on computer leases, the Department has not renewed the leases expiring after 1 July 2004.

### Equipment Leases

The Department leases equipment, including document reproduction machines and scanning machines, from private sector companies. The lease term is generally five years with the option for renewal for further term. Early termination fee is applicable for termination of the contract before the expiry of the contract term. There is no option for the purchase of equipment at the expiry of the lease term.

The total commitments above include input tax credits of \$20.9M that are expected to be recovered from the Australian Taxation Office.

## 23. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

	Consolidated		Department of Commerce	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Contingent liabilities</b>				
Estimated legal liability	295	525	295	525
	295	525	295	525

The Department is currently involved in 4 legal cases where adverse findings may result in costs being awarded against it. Other claims against the Department are covered by the Treasury Managed Fund.

## 24. BUDGET REVIEW

### Net Cost of Services

The actual net cost of services is higher than budget by \$41.8M. The unfavourable variance is mainly due to a decrease of \$6.5M in prepaid superannuation compared to the budgeted increase of \$14M and unbudgeted whole of Government expenses of \$25M including the Government Cleaning Contract incentive payment of \$20M. The actual expense also includes unbudgeted expenses of \$10.3M relating to the shared services function transferred from the former Department of Natural Resources. In addition, the Department's budgeted net cost of services was understated by \$20M due to the whole of Government IT savings included in the original budget. Excluding these items, the Department's net cost of services resulted in a net increase of \$30.8M. This improvement in net cost of services is mainly attributable to savings in operating costs across the Department and an improvement in interest earnings on the Department's bank and investment balances and Statutory funds

### Assets and Liabilities

The Department's total assets were \$143.3M higher than the budget mainly due to the take up of the former Department of Natural Resources assets \$102.8M, State Records Authority receivables \$2.7M and BusinessLink receivables \$21.4M. Total liabilities were also higher than budget by \$40.7M mainly due to the take up of liabilities of \$37M relating to the transferred functions.

### Cash Flows

Net cash flow for 2006/07 was above budget by \$53.3M. The favourable variance is mainly attributed to higher than budgeted net cash inflow from operating activities of \$22.8M. In addition, higher than budgeted proceeds from the sale of motor vehicles and lower than budgeted purchase of fixed assets also contributed to the favourable net cash flow variance.

Other expenses in the cash flow statement include payments made to contractors on behalf of client agencies and a corresponding amount is included in the sale of goods and services, resulting in a nil impact on the net cash position.

**25. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET COST OF SERVICES**

	Consolidated		Department of Commerce	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Net cash used on operating activities	(200,527)	(154,650)	(200,366)	(153,905)
Cash Flows from Government / Appropriations	171,128	162,831	171,128	162,831
Depreciation	158,273	121,659	157,673	121,077
(Decrease)/increase in provisions	20,733	1,377	20,464	1,377
(Increase)/decrease in Work in Progress	(17,829)	11,382	(17,829)	11,382
(Increase)/decrease in debtors and prepayments	(18,002)	(47,045)	(17,110)	(46,959)
Increase/(decrease) in advance billings	17,978	(15,670)	17,978	(15,670)
Increase/(decrease) in creditors	(1,893)	(14,542)	(1,841)	(15,049)
Net (gain)/loss on sale of plant and equipment	6,041	17,246	6,041	17,246
<b>Net cost of services</b>	<b>135,902</b>	<b>82,588</b>	<b>136,138</b>	<b>82,330</b>

**26. TRUST FUNDS**

The Department administers money in a Miscellaneous Trust Fund held at Treasury which is used for payments to Funeral Fund claimants. These monies are excluded from the financial statements as the Department cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account:

	Consolidated		Department of Commerce	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Funeral Fund				
Cash balance at the beginning of the financial year	112	112	112	112
Add: Receipts	-	-	-	-
Less: Expenditure	1	-	1	-
<b>Cash balance at the end of the financial year</b>	<b>111</b>	<b>112</b>	<b>111</b>	<b>112</b>

**27. SPECIAL PURPOSE FUNDS ADMINISTERED BY THE DEPARTMENT**

	Motor Dealers Compensation Fund \$'000	Property Services Compensation Fund \$'000	Statutory Interest Account \$'000	Home Building Administration Fund \$'000
Balance as at the beginning of the year	1,545	28,381	32,635	3
Receipts	581	3,854	39,220	9,341
Expenditure - Administrative	(1,190)	(6,146)	(22,868)	(9,309)
Expenditure - Capital	-	(129)	(585)	(12)
<b>Balance as at the end of the year</b>	<b>936</b>	<b>25,960</b>	<b>48,402</b>	<b>23</b>

The Motor Dealers Act 1974 established the Motor Dealers Compensation Fund to provide protection to persons who have suffered a loss in connection with a motor vehicle through their dealings with a motor dealer or a car-market operator. Licensing fees paid by full dealers and car-market operators finance the fund. Claims are usually made on the fund when a motor dealer ceases to trade either on a voluntary basis or a forced closure.

The Property, Stock and Business Agents Act 2002 established the Property Services Compensation Fund which is supported by:

- (i) investment income earned on the investments of the fund;
- (ii) contributions or levies paid by licensees; and
- (iii) other lawful receipts.

Under Section 167, the money in the Compensation Fund is applied to:

- (i) payment of claims, as provided by the Act;
- (ii) legal expenses in relation to claims, licensing objections and complaints for cancellation, incurred in relation to the Fund;
- (iii) the expense involved in the administration of the Fund; and
- (iv) other lawful expenses.

The Statutory Interest Account is supported, under Part 11 of the Property, Stock and Business Agents Act 2002, by interest earned on trust money held by agents and investments made by the Department.

Under Section 189, the Statutory Interest money may be applied to:

1. Any purpose for which it is required or permitted to be applied by or under this or any other Act.
2. The Director-General may, with the consent of the Minister, apply money held in the Statutory Interest Account for all or any of the following purposes:
  - (i) supplementing the Compensation Fund by such amount as may be needed to enable the current liabilities of the fund to be met;
  - (ii) providing grants or loans for providing or undertaking education or research programs relating to the property services industry (as defined in Section 251 of the *Fair Trading Act 1987*) and approved by the Minister;
  - (iii) providing money for the establishment or administration of rental advisory services;
  - (iv) meeting the costs of administering this Act, the *Conveyancers Licensing Act 1995*, the *Valuers Registration Act 1975* and any other Act prescribed by the regulations for the purposes of this paragraph (or the prescribed provisions of any other Act);
  - (v) meeting the costs of the administration of the Property Services Advisory Council;
  - (vi) meeting the costs of operating a scheme or schemes for resolving disputes arising between consumers and providers of property services;
  - (vii) investing in schemes that relate to the provision of residential accommodation or, subject to such terms and conditions as may be prescribed by the regulations, in loans to authorised deposit-taking institutions.
3. The Treasurer may determine whether any such money is to be invested in any such scheme or loan and the amount to be invested in a scheme or loan.

The Home Building Administration Fund is supported by:

- (i) prescribed fees for contractor licences, registration certificates, owner-builder permits and building consultancy licences;
- (ii) investment income earned on the investments of the Fund; and
- (iii) other lawful receipts.

Under Section 114 of the Home Buildings Act 1989, money in the Home Building Administration Fund is applied to:

- (i) meeting the costs of operating the scheme;
- (ii) meeting the costs of administering the Home Building Act 1989; and
- (iii) the making of any authorised investments.

## 28. ADMINISTERED ASSETS AND LIABILITIES

	Consolidated		Department of Commerce	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Administered Assets</b>				
Licensing Fees	925	801	925	801
<b>Total Administered Assets</b>	<b>925</b>	<b>801</b>	<b>925</b>	<b>801</b>
<b>Administered Liabilities</b>				
Liability to Consolidated Fund	925	801	925	801
<b>Total Administered Liabilities</b>	<b>925</b>	<b>801</b>	<b>925</b>	<b>801</b>

**29. ADMINISTERED REVENUE AND EXPENSES****(a) Public and Trust Monies**

	<b>Public Monies \$'000</b>	<b>Unclaimed Wages \$'000</b>	<b>Entertainment Industry Bonds \$'000</b>
Balance as at the beginning of the year	15	150	172
Receipts	168	45	22
Expenditure	(155)	(4)	(40)
<b>Balance as at the end of the year</b>	<b>28</b>	<b>191</b>	<b>154</b>

**(i) Public Monies**

This represents amounts collected, by Industrial Inspectors acting as intermediaries, in disagreements between employees and employers. The amounts are paid by one party to be onforwarded to the other.

**(ii) Unclaimed Wages**

Under Section 122 of the *Industrial Relations Act 1996*, if an employer is unable to make full payment of remuneration to an employee because that employee cannot be found, must after 30 days send that money to Treasury. Treasury requires that this money be sent to the Office of Industrial Relations for payment to employees upon application.

**(iii) Entertainment Industry Bonds**

Under Section 40 of the Entertainment Industry Act 1989, entertainment industry agents and managers are to establish trust accounts for performers' monies and lodge a bond with the Entertainment Industry Council. Section 41 of the Act deals with the Application/Release of bonds lodged with the Council. The Office of Industrial Relations maintains a register of the bonds lodged/released.

**(b) Crown Revenue**

	<b>Consolidated</b>		<b>Department of Commerce</b>	
	<b>2007 \$'000</b>	<b>2006 \$'000</b>	<b>2007 \$'000</b>	<b>2006 \$'000</b>
Certificate and Licences	54,351	53,739	54,351	53,739
Fines and Fees	628	476	628	476
Motor vehicle lease fee	31,147	58,903	31,147	58,903
Other	4,304	18,318	4,304	18,318
	<b>90,430</b>	<b>131,436</b>	<b>90,430</b>	<b>131,436</b>

**30. ADMINISTERED REVENUE - DEBTS WRITTEN OFF**

	<b>Consolidated</b>		<b>Department of Commerce</b>	
	<b>2007 \$'000</b>	<b>2006 \$'000</b>	<b>2007 \$'000</b>	<b>2006 \$'000</b>
Business Name Registration	17	19	17	19
Home Building Penalties	11	34	11	34
	<b>28</b>	<b>53</b>	<b>28</b>	<b>53</b>

**31. ADMINISTERED REVENUE - SCHEDULE OF UNCOLLECTED AMOUNTS****Schedule of Uncollected Amounts**

	<b>Consolidated</b>		<b>Department of Commerce</b>	
	<b>2007 \$'000</b>	<b>2006 \$'000</b>	<b>2007 \$'000</b>	<b>2006 \$'000</b>
Home building fees	238	156	238	156
Business registrations	11	15	11	15
Trade measurement	9	46	9	46
Other	-	5	-	5
<b>Total Administered Assets</b>	<b>258</b>	<b>222</b>	<b>258</b>	<b>222</b>

**Aged Analysis of Administered Revenue**

	<b>Consolidated</b>		<b>Department of Commerce</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Current	2	22	2	22
Between 30 days and 59 days old	5	3	5	3
Between 60 days and 89 days old	2	17	2	17
Over 90 days old	249	180	249	180
<b>Total Administered Assets</b>	<b>258</b>	<b>222</b>	<b>258</b>	<b>222</b>

**32. FINANCIAL INSTRUMENTS**

The Department's principal financial instruments are outlined below. These financial instruments arise directly from the Department's operations or are required to finance the Department's operations. The Department does not enter into or trade financial instruments for speculative purposes. The Department does not use financial derivatives.

**Cash and cash equivalents**

Cash and cash equivalents comprises cash on hand and bank balances within the Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (T-Corp) 11am unofficial cash rate adjusted for a management fee to NSW Treasury. Cash deposited under the Treasury Banking System earned an average interest of 5.14% during the year.

**Receivables**

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. An allowance for impairment is raised there is objective evidence that the entity will not be able to collect all amounts due. The credit risk is the carrying amount (net of any allowance for impairment). No interest is earned on trade debtors. The carrying amount approximates net fair value. Sales are made on 30 day terms.

**Bank Overdraft**

The Department has a bank overdraft facility of \$45M. This facility was not used during 2006/07.

**Interest Bearing Liabilities**

The Department has a loan facility with T-Corp with a limit of \$650M to fund the State Fleet Leasing Arrangement. Out of this facility \$528M was outstanding as at 30 June 2007. The interest rate on the loan during 2006/07 ranged between 5.7% to 7.5%.

**Trade Creditors and Accruals**

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Treasurer's Direction 219.01 allows the Minister to award interest for late payment. There were no penalty interest payments during the year.

**Hour-Glass Investment Facilities**

The Department has investments in T-Corp's Hour-Glass Investment facilities. The Department's investments are represented by a number of units in managed investments within the facilities. Each facility has different investment horizons and comprises a mix of asset classes appropriate to that investment horizon. T-Corp appoints and monitors fund managers and establishes and monitors the application of appropriate investment guidelines.

The Department's investments are:

	Consolidated		Department of Commerce	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Cash Facility	259,023	561	259,023	561
Bond Market Facility	24,855	27,670	24,855	27,670
	<b>283,878</b>	<b>28,231</b>	<b>283,878</b>	<b>28,231</b>

These investments are generally able to be redeemed with up to five business days notice (dependent upon the facility). The value of the investments held can decrease as well as increase depending upon market conditions. The value that best represents the maximum credit risk exposure is the net fair value. The value of the above investments represents the Department's share of the value of the underlying assets of the facility and is stated at net fair value. The average return during the year on the above investments was 5.83%

### 33. AFTER BALANCE DATE EVENTS

The Department is not aware of any circumstances that occurred after balance date which would render particulars included in the financial statements to be misleading.

### END OF AUDITED FINANCIAL STATEMENTS